



UNIVERSITY OF JOHANNESBURG PENSION FUND

Quarterly Investment Report

For the period ending 30 June 2018

Asset Consulting

FINANCIAL SERVICES


ALEXANDERFORBES
Securing your financial well-being

INDEX:

1. Economic and Market Overview	4
2. Executive Summary	6
3. Portfolio Manager Review	7
4. Manager Performance Review	8
4.1 Multi Management Platform Portfolios	
4.2 Old Mutual Corporate Portfolio	
4.3 Shari'ah Portfolio	
5. Fund Overview and Portfolio Reports	9
5.1 Total Fund	
5.2 Wealth Creation	
5.3 Wealth Preservation	
5.4 Shariah	
5.5 Capital Guarantee	
5.6 Capital Protection	
5.7 Money Market	
6. Manager Watch Surveys	27
7. Appendix (Benchmark description)	30
8. Economic Watch	31

DISCLAIMER:

This document has been prepared for use by clients of the Alexander Forbes Group. Any other third party that is not a client of the Alexander Forbes Group and for whose specific use this document has not been supplied must be aware that Alexander Forbes Group shall not be liable for any damage, loss or liability of any nature incurred by any third party and resulting from the information contained herein. The information contained herein is supplied on an "as is" basis and has not been compiled to meet any third party's individual requirements. It is the responsibility of any third party to satisfy himself or herself, prior to relying on this information that the contents meets the third party's individual requirements.

Nothing in this document, when read in isolation and without professional advice, should be construed as solicitation, offer, advice, recommendation, or any other enticement to acquire or dispose of any financial product, advice or investment, or to engage in any financial transaction or investment. A third party should consult with an authorised financial advisor prior to making any financial decisions.

Alexander Forbes has taken all reasonable steps to ensure the quality and accuracy of the contents of this document and encourages all readers to report incorrect and untrue information, subject to the right of Alexander Forbes to determine, in its sole and absolute discretion, the contents of this document. Irrespective of the attempts by Alexander Forbes to ensure the correctness of this document, Alexander Forbes does not make any warranties or representations that the content will in all cases be true, correct or free from any errors. In particular, certain aspects of this document might rely on or be based on information supplied to Alexander Forbes by other persons or institutions. Alexander Forbes has attempted to ensure the accuracy of such information, but shall not be liable for any damage, loss or liability of any nature incurred by any party and resulting from the errors caused by incorrect information supplied to Alexander Forbes.

ECONOMIC AND MARKET OVERVIEW

Economic Overview for the quarter ending 30 June 2018

South Africa

The FTSE/JSE All Share (ALSI) returned 4.5% over the quarter and 15.0% over the 12 months ended 30 June 2018.

The **Industrials sector**, as measured by the FTSE/JSE Industrial 25 Index, returned 5.3% over the quarter. The major contributions to performance came from Forestry & Paper (22.2%), Chemicals (21.4%), Media (20.5%), Basic Materials (19.5%) and Consumer Goods (10.3%). The major detractors from performance for the quarter were Household Goods (-60.9%), Industrial Engineering (-26.8%), General Retailers (-19.5%) and Industrial Transportation (-11.8%).

Over the 12-month period the FTSE/JSE Industrial 25 Index returned 8.8%. The main contributions to performance came from Industrial Metals (65.4%), Basic Materials (42.0%), Chemicals (38.6%), Media (36.9%) and Forestry & Paper (15.3%). The major detractors from performance over the 12 months to June 2018 were Household Goods (-98.1%), Software & Computer Services (-51.8%), Industrial Engineering (-36.2%) and Fixed Line Services (-14.4%).

The **Financials sector**, as measured by the FTSE/JSE Financial 15 Index returned -6.6% over the quarter. There were no positive contributors to performance over the quarter. The detractors to performance over the quarter were Non-Life Assurance (-12.5%), Life Assurance (-11.0%) and Banks (-7.8%).

Over the 12-month period, the FTSE/JSE Financial 15 Index returned 16.8%. The major contributions to performance came from Banks (32.7%), Non-Life Assurance (23.2%) and Life Assurance (13.6%). There were no major detractors to performance over the quarter.

The **Resources sector** as measured by the FTSE/JSE Resource 20 Index returned 21.7% for the quarter. The major contributors to performance over the quarter ended June 2018 came from Mining (18.8%) and General Mining (18.7%). The major detractors from performance over the quarter was Gold Mining (-6.0%) and Platinum & Precious Metals (-2.1%).

Over the 12-month period the FTSE/JSE Resource 20 Index returned 44.6%. The major contributors to performance for the 12 months to June 2018 came from Mining (49.2%) and General Mining (43.2%). The major detractors from performance over the 12 months to June 2018 were Platinum & Precious Metals (-17.4%) and Gold Mining (-11.4%).

The **All Bond Index** returned -3.8% and 10.2% for the 3 months and 12 months ended 30 June 2018 respectively.

The 1 -3 years bond index was the best performing bond sector returning 0.3%, followed by the 3 -7 years -1.2%, 7 - 12 years -2.9% and 12+ years -4.9% over the quarter.

Over the 12 months ended 30 June 2018, the 12+ year bond index was the best performing bond sector returning 11.3%, followed by the 7 - 12 years 8.9%, 1 - 3 years 7.8% and 3 - 7 years 7.7%.

Global

The Rand depreciated by 15.7% against the US Dollar, 8.9% against the Pound Sterling and 9.8% against the Euro, over the quarter. For the 12 months the Rand depreciated by 4.6% against the US Dollar, 6.3% against the Pound Sterling and depreciated by 7.1% against the Euro.

Global Equity returns in Rands, as measured by the MSCI World Index, were 17.9% over the quarter and 16.8% for the 12 months ended June 2018.

Global Bond returns in Rands, as measured by the Citi WGBI were 11.8% over the quarter and 6.6% for the 12 months ended June 2018.

Returns Summary

A summary of returns over various periods is shown in the table below.

Asset Classes	Quarter to 30 June 2018	1 Year to 30 June 2018	2017	2016	3 Years to 30 June 2018	5 Years to 30 June 2018
Local Equities	4.54%	15.02%	1.69%	3.83%	6.69%	11.05%
Local Bonds	-3.78%	10.19%	7.93%	5.24%	7.77%	7.39%
Local Cash	1.78%	7.33%	7.63%	6.85%	7.27%	6.70%
Dollar Equities	17.91%	16.84%	6.34%	18.01%	13.61%	17.92%
Dollar Bonds	11.80%	6.60%	-14.24%	34.24%	7.07%	7.84%
Dollar Cash	16.18%	6.00%	-10.12%	20.82%	4.80%	7.09%

**Note that the returns on the Dollar Asset Classes shown above are in Rand terms.*

EXECUTIVE SUMMARY

Market Value as at 30 June 2018 (R' million)

	Total	Allan Gray FDG AM	Coronation FDG AM	Investec Opportunities Fund	Shariah High Growth	Real Return Focus BB	Banker	OMIGSA Fully Vesting Platform
Wealth Creation	1603	344.6	640.7	617.8				
Phase Down 3/Wealth Preservation	117.0	10.2	19.1	18.3		69.4		
Phase Down Port 1	28.6	4.9	9.1	8.8		5.8		
Phase Down Port 2	18.7	2.4	4.6	4.4		7.3		
Phase Down Port 4	22.0	1	1.7	1.7		17.6		
Capital Protection	58.2					58.2		
Money Market	21.1						21.1	
Capital Guarantee	81.7							81.7
Shariah	21.4				21.4			
Total per Manager	1971.7	363.1	675.2	651	21.4	158.3	21.1	81.7

NET PORTFOLIO PERFORMANCE REVIEW AS AT 30 JUNE 2018

	Quarter	1 Year	3 Year	5 Year
Wealth Creation	5.1%	9.2%	7.2%	9.8%
<i>Actual Benchmark (GLMW Average) #</i>	4.7%	9.9%	6.5%	10.7%
<i>Peer Benchmark (GLMW Average) *</i>	4.7%	9.9%		
<i>Passive Benchmark *</i>	4.2%	10.8%		
<i>CPI+6%</i>	2.8%	10.6%	11.3%	11.5%
Phase Down Port 3 Wealth Preservation	3.8%	9.3%	6.8%	8.4%
<i>Peer Benchmark (40% GLMW & 60% Absolute Ave) *</i>	3.3%	9.2%		
<i>Passive Benchmark (40% WC & 60% CP) #</i>	3.9%	10.7%	7.0%	10.3%
<i>CPI+4.5%</i>	2.4%	9.1%	9.8%	10.0%
Capital Protection	2.9%	9.5%	6.3%	7.4%
<i>Actual Benchmark (CPI+4%) #</i>	2.3%	8.6%	6.7%	8.8%
<i>Peer Benchmark (Average Absolute Return 3-5%) *</i>	2.4%	8.7%		
<i>Passive Benchmark *</i>	3.6%	10.6%		
<i>CPI+4.0%</i>	2.3%	8.6%	9.3%	9.5%
Money Market	1.9%	8.2%	8.1%	7.4%
<i>Actual Benchmark (STeFI) #</i>	1.8%	7.3%	7.3%	6.7%
<i>Peer Benchmark (Average MM) *</i>	1.9%	8.3%		
<i>CPI+1.5%</i>	1.7%	6.1%	6.8%	7.0%
Capital Guarantee	2.3%	9.2%	8.1%	10.5%
<i>Actual Benchmark (CPI+3.5%) #</i>	2.2%	8.1%	8.8%	9.0%
<i>Passive Benchmark *</i>	3.3%	9.4%		
<i>CPI+3.5%</i>	2.2%	8.1%	8.8%	9.0%
Phase Down Port 1	4.7%	9.2%	7.1%	
<i>Passive Benchmark</i>	3.2%	11.5%	7.2%	
<i>CPI+6%</i>	2.8%	10.6%	11.3%	
Phase-down Portfolio 2	4.2%	9.3%	6.9%	
<i>Passive Benchmark</i>	2.6%	11.1%	7.1%	
<i>CPI+5.5%</i>	2.7%	10.1%	10.8%	
Phase-down Portfolio 4	3.4%	9.3%	6.5%	
<i>Actual Benchmark</i>	1.4%	10.3%	6.9%	
<i>CPI+4.5%</i>	2.4%	9.1%	9.8%	
Shari'ah	5.0%	6.9%	6.0%	7.7%
<i>Actual Benchmark #</i>	2.1%	11.1%	6.9%	10.1%
<i>Peer Benchmark (Av. Shari'ah Balanced Universe) *</i>	3.6%	11.1%		
<i>Passive Benchmark *</i>	3.6%	11.1%		
<i>CPI+5%</i>	2.5%	9.6%	10.3%	10.5%
TOTAL FUND	4.8%	9.2%	7.2%	9.5%
<i>Weighted Benchmark</i>	4.3%	9.9%	6.7%	10.4%

Benchmark changed from Jan 2017, long term returns are spliced with the previous benchmark

*Inception Jan 2017

PORTFOLIO MANAGER REVIEW

Alexander Forbes Investments Multi-Management Platform Portfolios

Underlying manager review as at 30 June 2018

	Quarter	1 Year	3 Year (p.a)	5 Year (p.a)
Coronation Global Balanced	4.1%	4.9%	7.1%	10.7%
Investec Absolute Opportunity	6.4%	6.8%	7.6%	9.9%
Allan Gray Global Balanced	5.8%	7.8%	10.3%	11.9%
Real Return Focus	3.1%	9.8%	7.3%	9.1%
Banker	2.1%	8.8%	8.6%	7.9%

4.1 MEMBER CHOICE PORTFOLIOS

The **Allan Gray Global Balanced** portfolio delivered 5.8% for the quarter ended 30 June 2018.

The **Coronation Houseview** portfolio delivered 4.1% for the quarter ended 30 June 2018.

The **Investec Absolute Opportunity** portfolio delivered 6.4% for the quarter ended 30 June 2018.

The **Real Return Focus** portfolio delivered 3.1% for the quarter ended 30 June 2018.

4.2 OLD MUTUAL CORPORATE PORTFOLIO

The **Old Mutual Guaranteed** portfolio declared a bonus of 2.3% for the quarter versus CPI + 3.5% target of 2.3%.

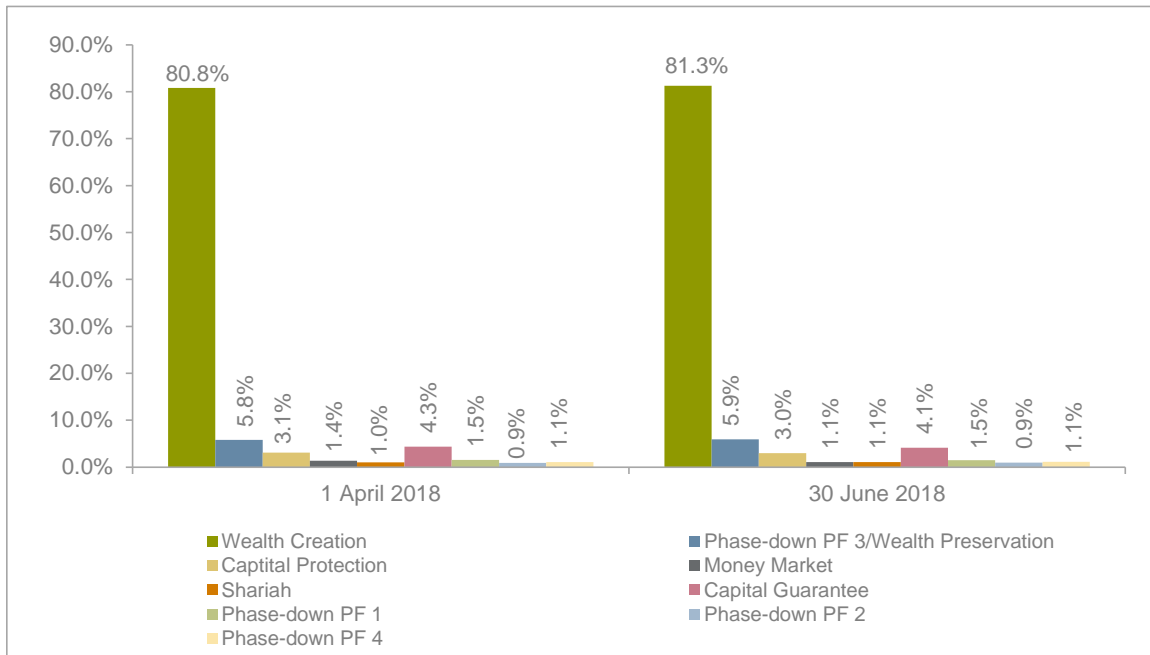
4.3 Shari'ah Portfolio

The **Shari'ah** portfolio delivered 2.3% for the quarter ended 30 June 2018.

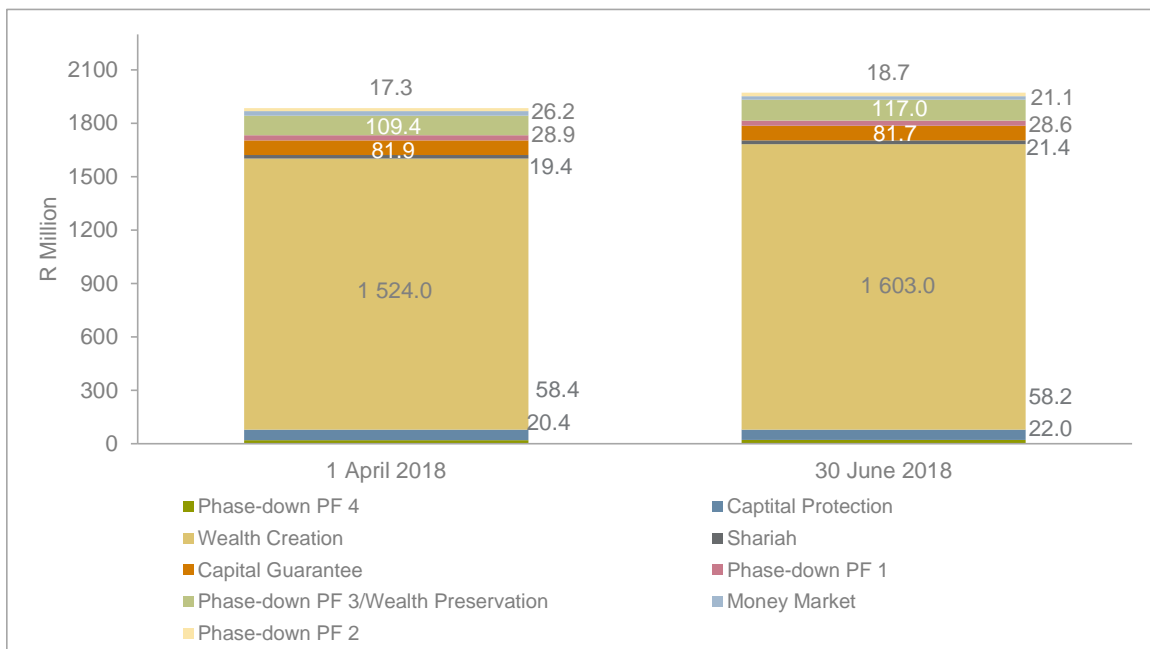
FUND OVERVIEW AND PORTFOLIO REPORTS

Total Fund

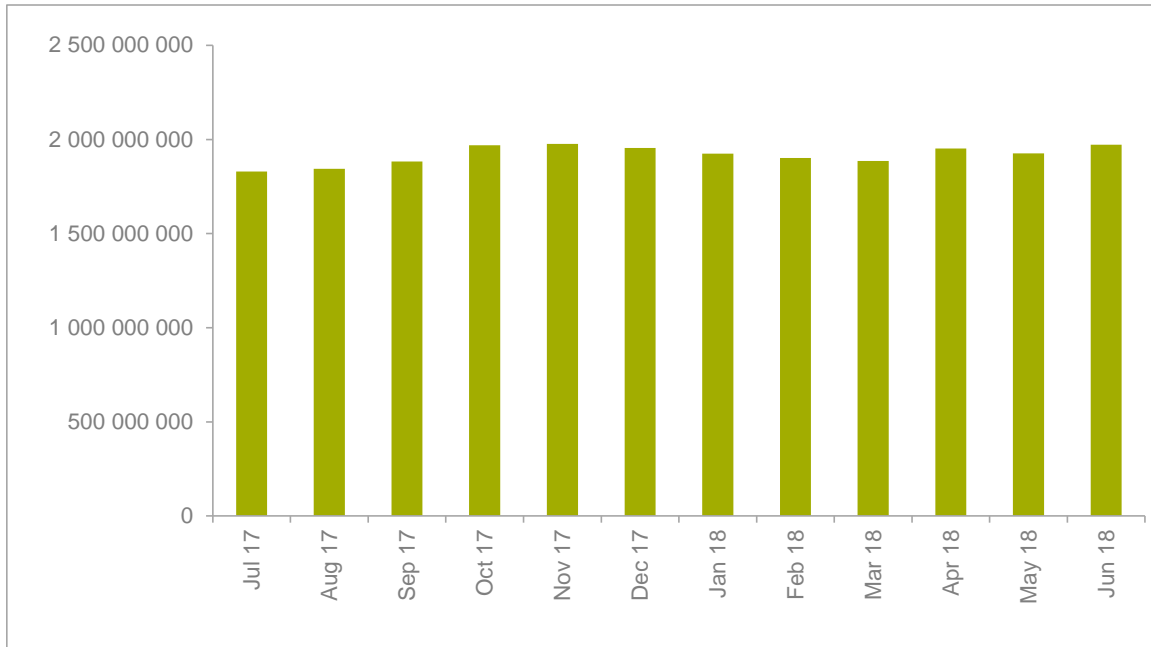
Portfolio Composition over the quarter



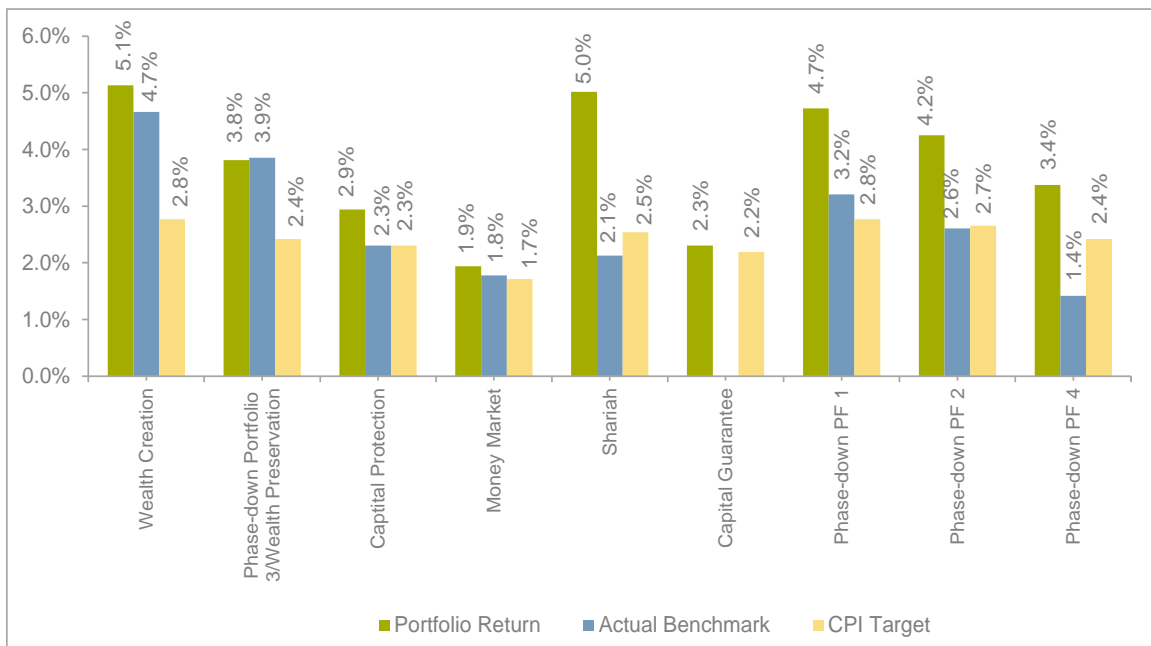
Fund Size over the Quarter



Market Value for the Year



Actual returns vs. Benchmark returns for the Quarter



UJPF WEALTH CREATION

Portfolio details

Manager Alexander Forbes Investments
 Inception Date July 2010
 Performance Objective CPI+6%

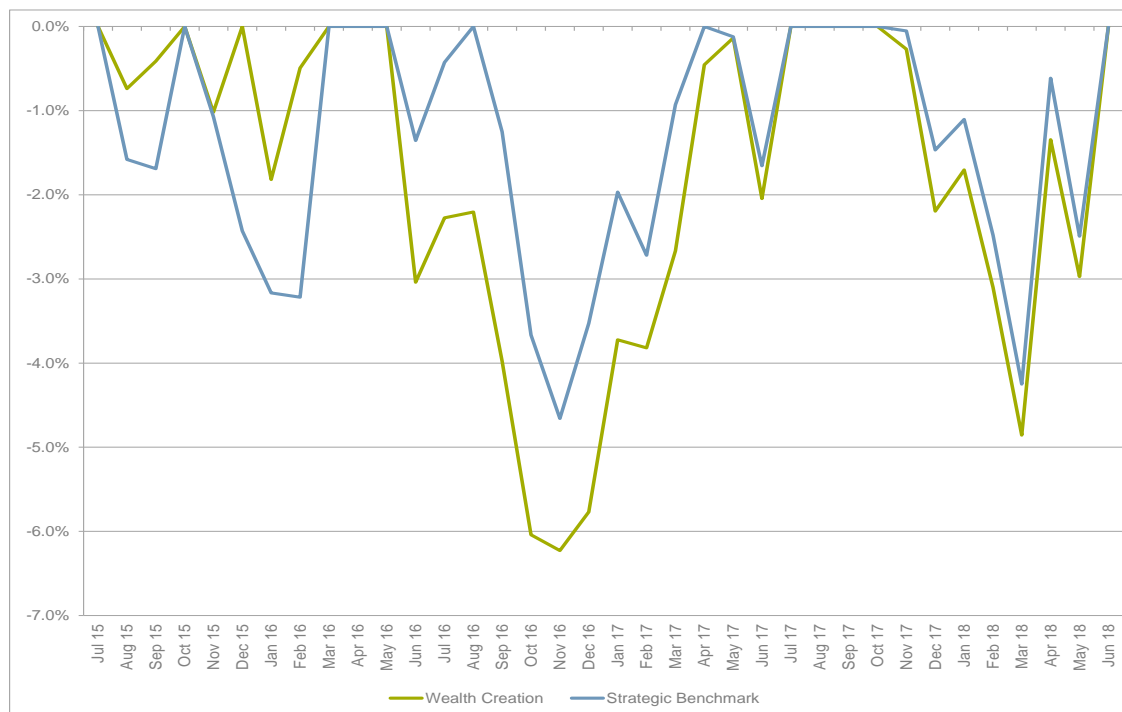
Strategic Benchmark

Asset Class	Benchmark	Benchmark Weight
SA Equities	JSE All Share SWIX	60.0%
SA Bonds	Beassa All Bond	15.0%
SA Cash	SteFI	5.0%
Foreign Equities	MSCI World	12.0%
Foreign Bonds	JP Morgan	8.0%

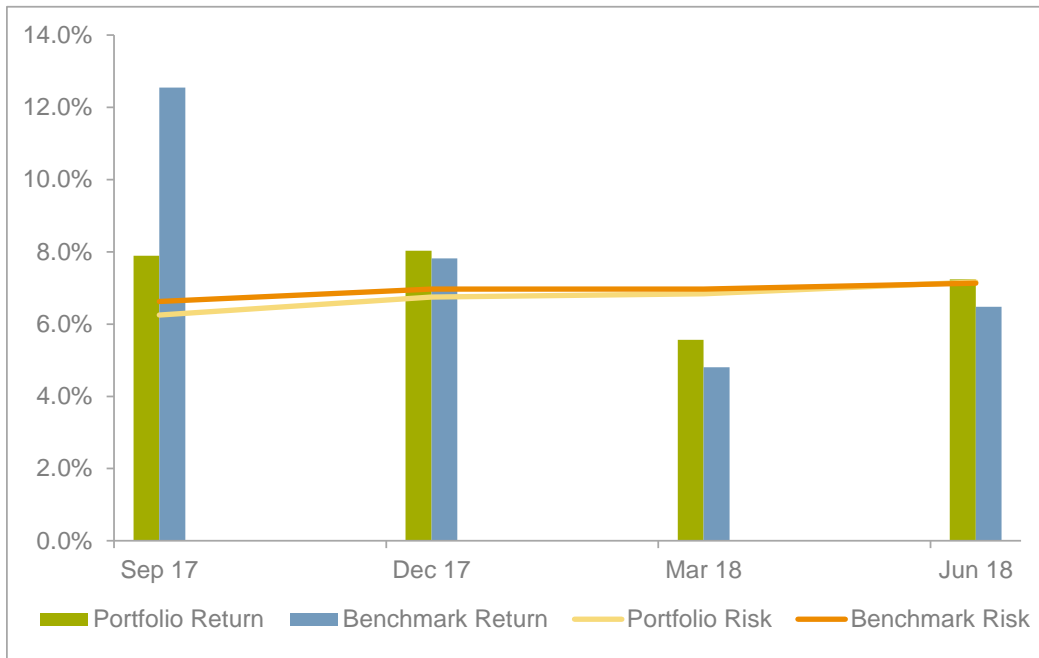
Risk statistics (3 Years)

	Portfolio	Benchmark
% Positive Months	61.1%	50.0%
% Negative Months	38.9%	50.0%
Maximum Drawdown	-6.2%	-4.7%
Standard deviation	7.2%	7.1%
3 year Annualised Return	7.2%	6.5%

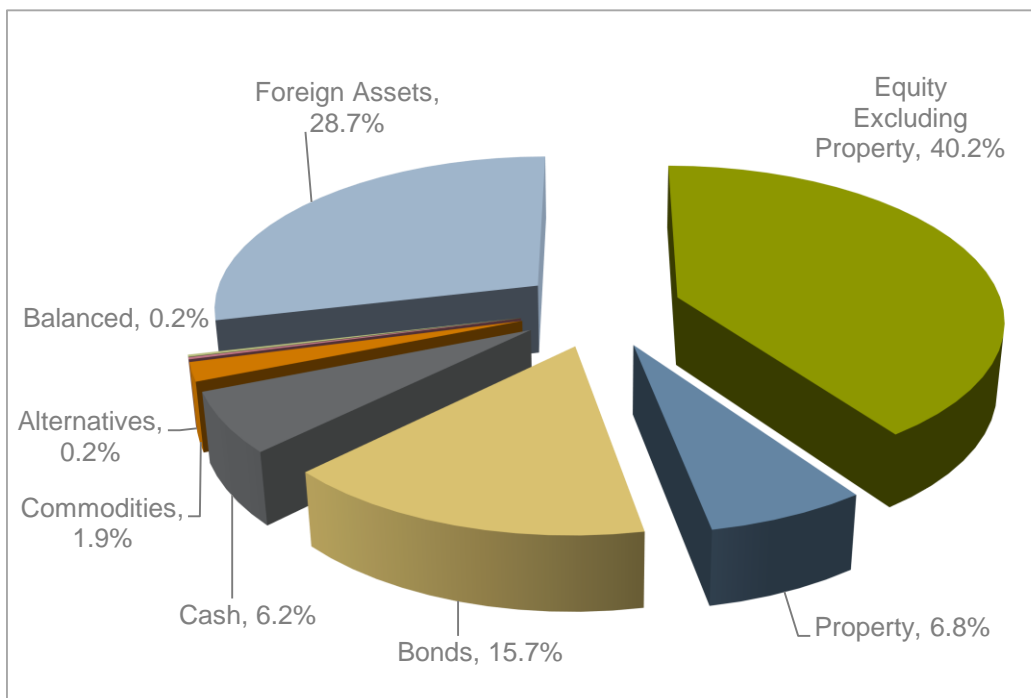
Drawdown



Risk and return (rolling 3 years)



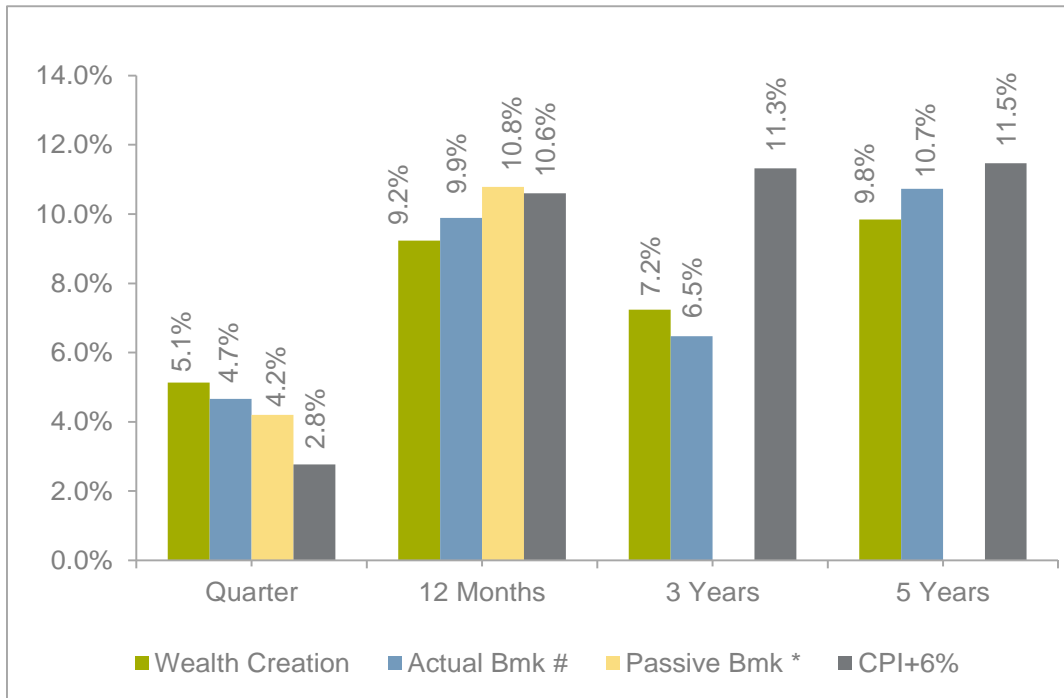
Asset Allocation



Manager Allocation

Manager	Weighting	Quarterly Return
Allan Gray	21.5%	5.8%
Coronation	40.0%	4.1%
Investec	38.5%	6.4%

Performance



Benchmark changed from Jan 2017, long term returns are spliced with the previous benchmark

*Inception Jan 2017

UJPF PHASE-DOWN PORTFOLIO 3/WEALTH PRESERVATION

Portfolio details

Manager Alexander Forbes Investments
 Inception Date July 2010
 Performance Objective CPI+4.5%

Strategic Benchmark

Asset Class	Benchmark	Benchmark Weight
SA Equities	JSE All Share SWIX	48.0%
SA Bonds	Beassa All Bond	18.0%
SA Cash	SteFI	26.0%
Foreign Equities	MSCI World	5.0%
Foreign Bonds	JP Morgan	3.0%

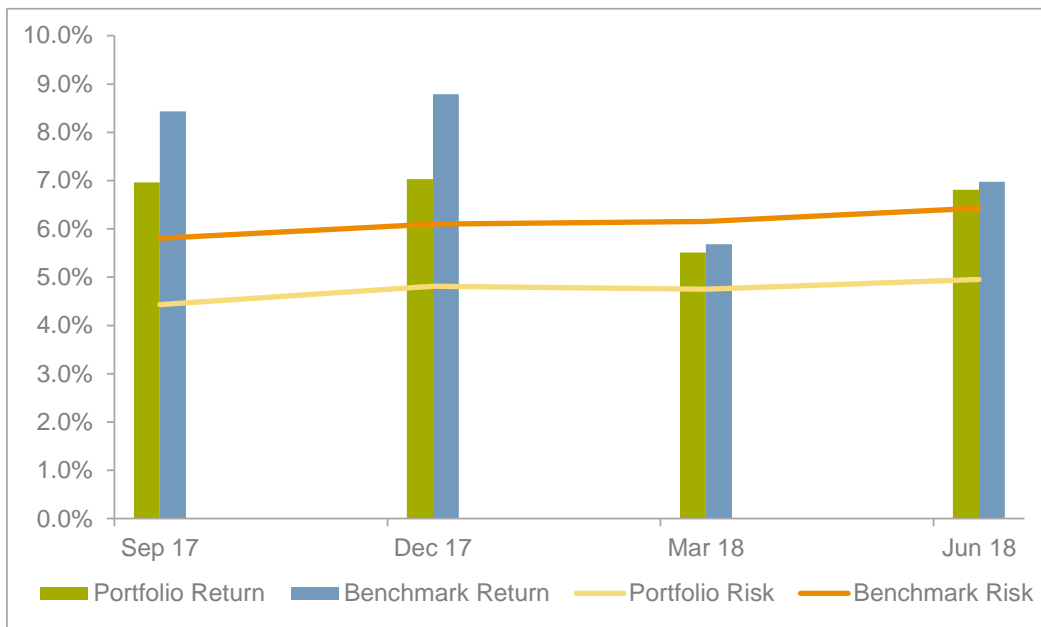
Risk statistics (3 years)

	Portfolio	Benchmark
% Positive Months	55.6%	52.8%
% Negative Months	44.4%	47.2%
Maximum Drawdown	-2.4%	-4.1%
Standard deviation	5.0%	6.4%
3 year Annualised Return	6.8%	7.0%

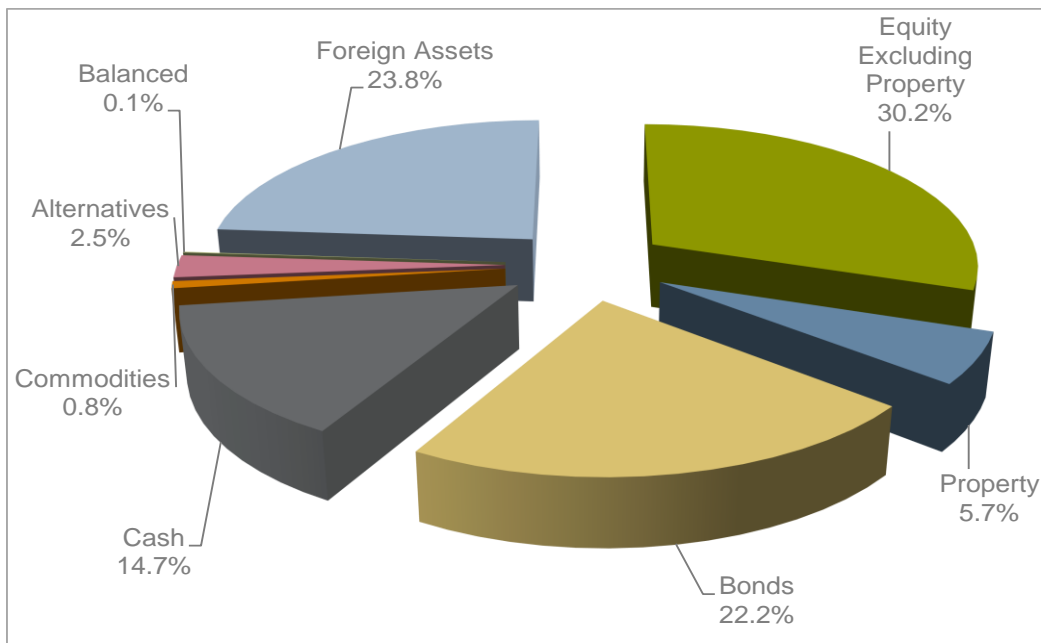
Drawdown



Risk and return (rolling 3 years)



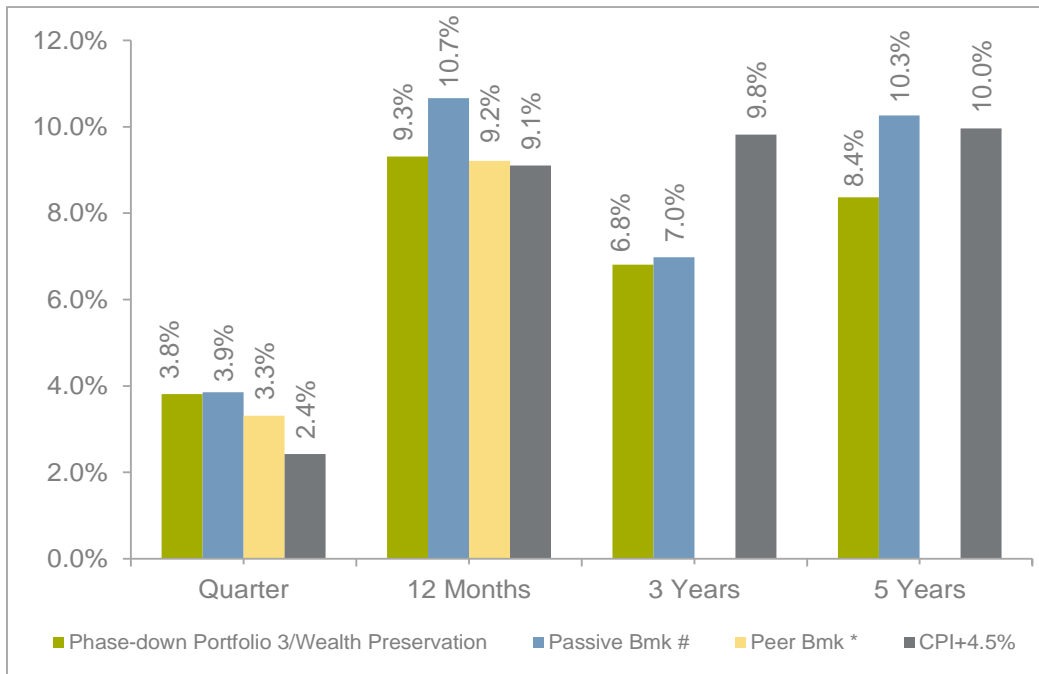
Asset Allocation



Manager Allocation

Manager	Weighting	Quarterly Return
Allan Gray	8.7%	5.8%
Coronation	16.3%	4.1%
Investec	15.7%	6.4%
Alexander Forbes Investments Real Return Focus	59.3%	3.1%

Performance



Benchmark changed from Jan 2017, long term returns are spliced with the previous benchmark

*Inception Jan 2017

UJPF SHARIAH

Portfolio details

Manager Alexander Forbes Investments
 Inception Date July 2010
 Performance Objective CPI+5%

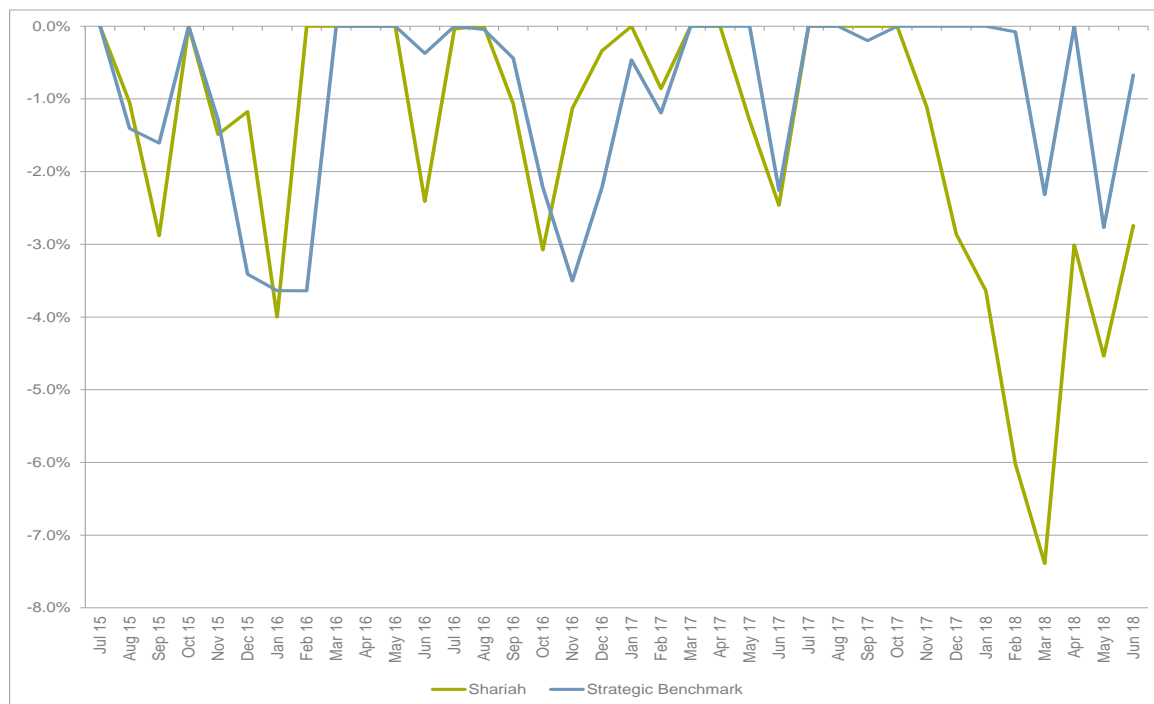
Strategic Benchmark

Asset Class	Benchmark	Benchmark Weight
SA Equities	JSE All Share SWIX	55.0%
SA Bonds	Beassa All Bond	20.0%
SA Cash	SteFI	15.0%
Foreign Equities	MSCI World	5.0%
Foreign Bonds	JP Morgan	5.0%

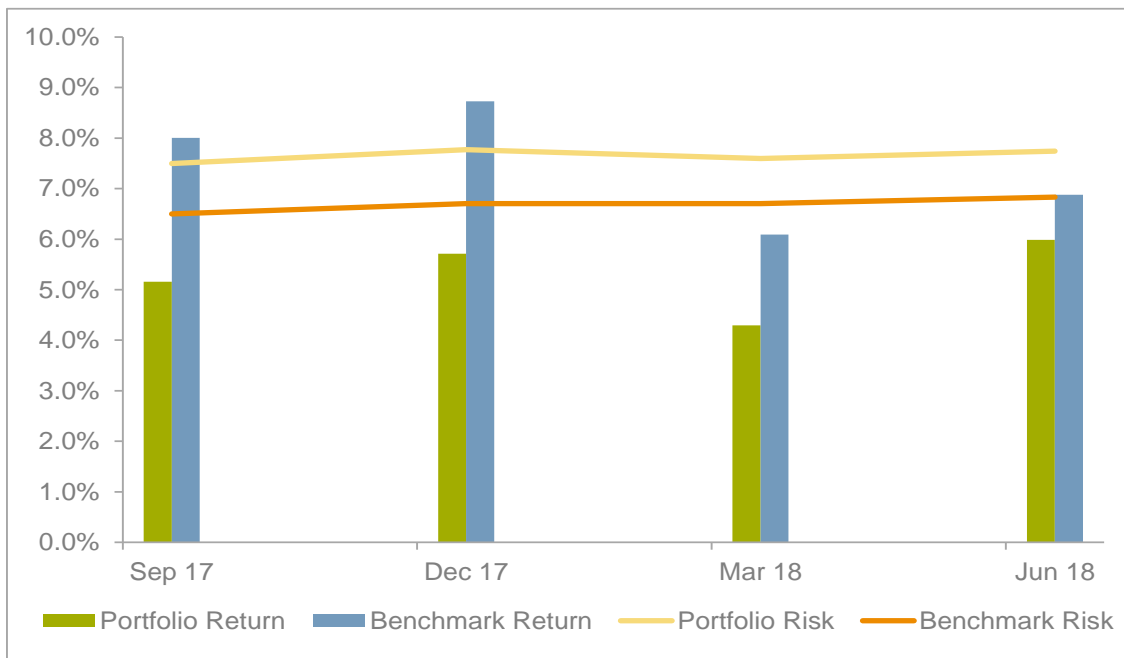
Risk statistics (3 years)

	Portfolio	Benchmark
% Positive Months	52.8%	52.8%
% Negative Months	47.2%	47.2%
Maximum Drawdown	-7.4%	-3.6%
Standard deviation	7.7%	6.8%
3 year Annualised Return	6.0%	6.9%

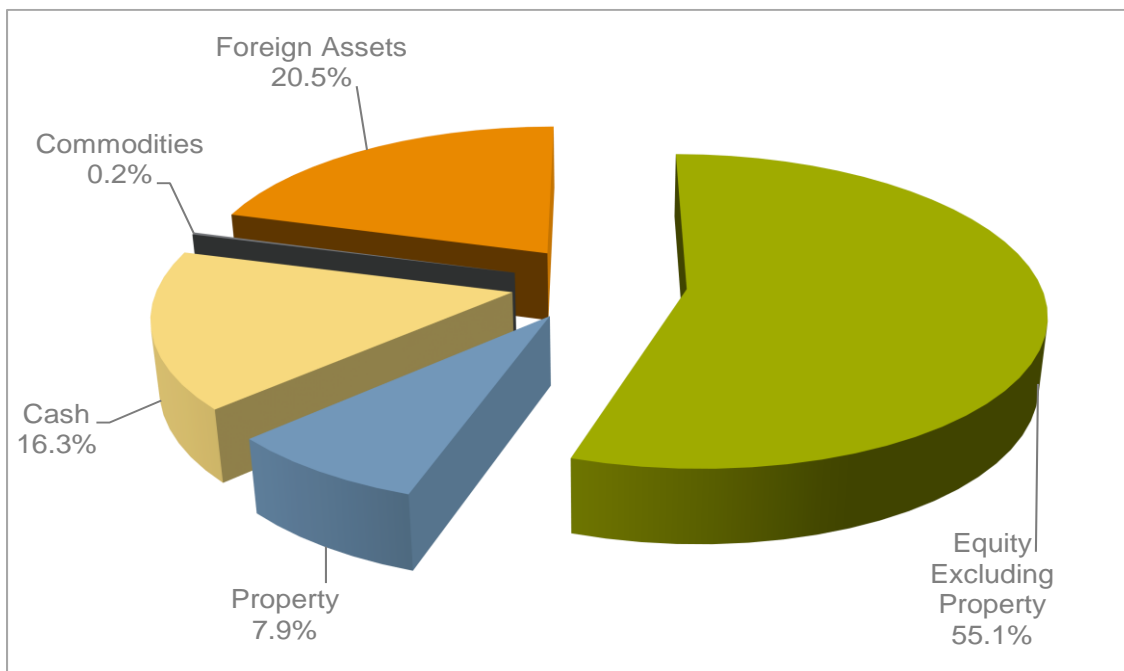
Drawdown



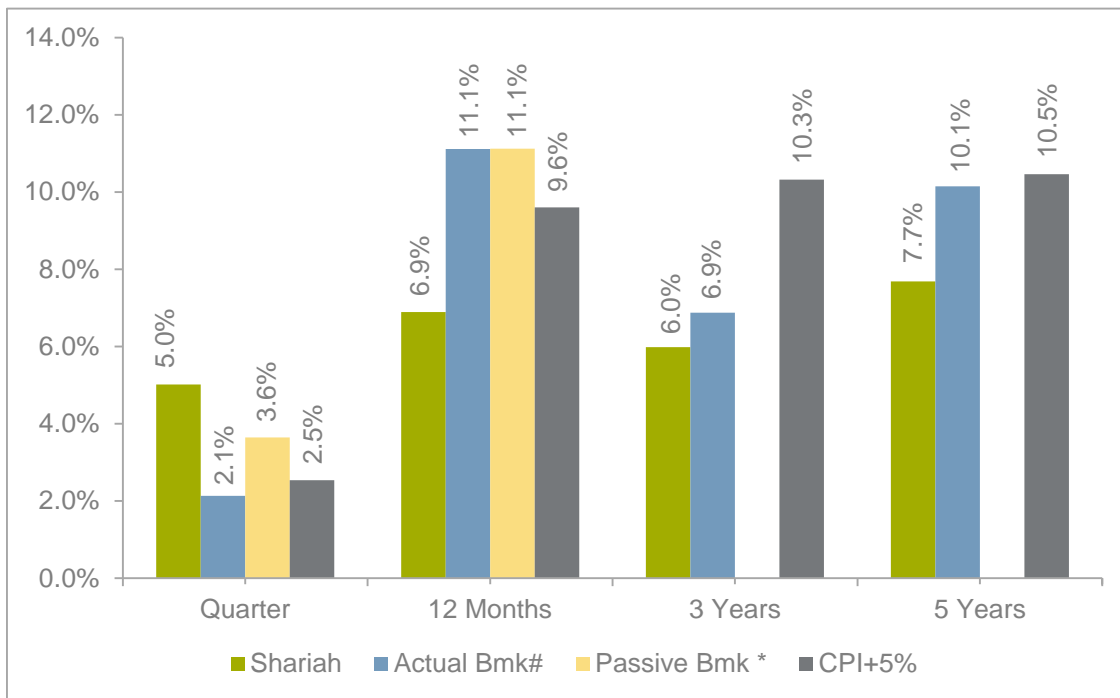
Risk and return (rolling 3 years)



Asset Allocation



Performance



Benchmark changed from Jan 2017, long term returns are spliced with the previous benchmark

*Inception Jan 2017

UJPF CAPITAL GUARANTEE

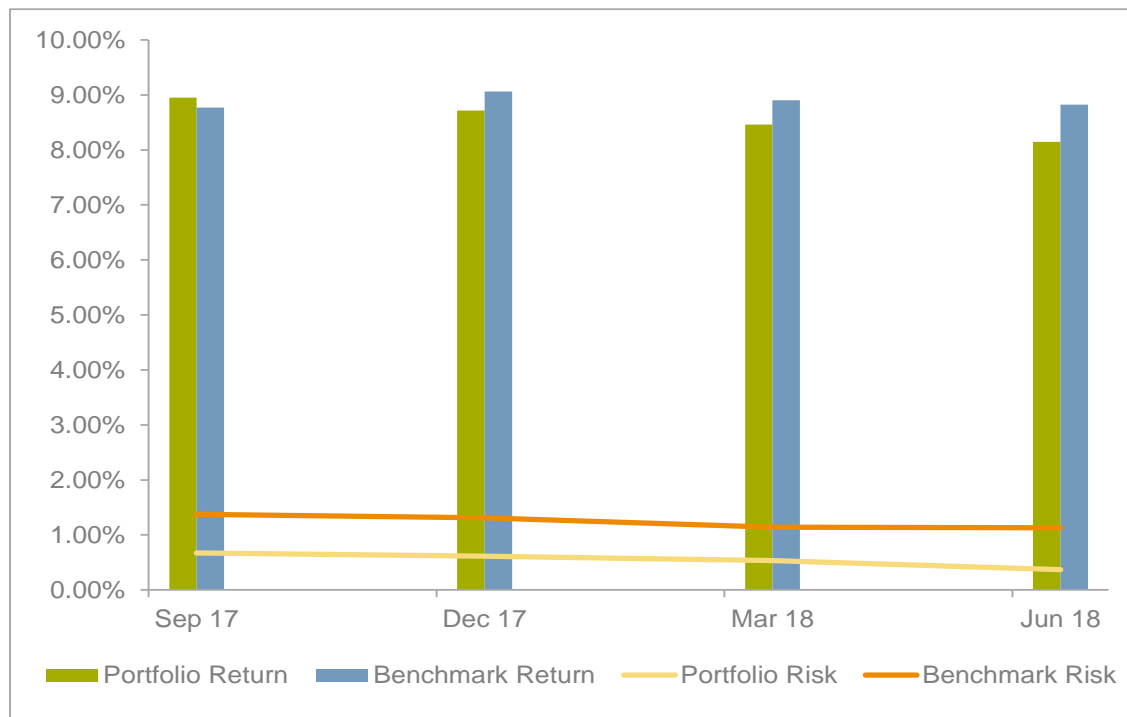
Portfolio details

Manager	Old Mutual Corporate
Inception Date	July 2010
Performance Objective	CPI+3.5%

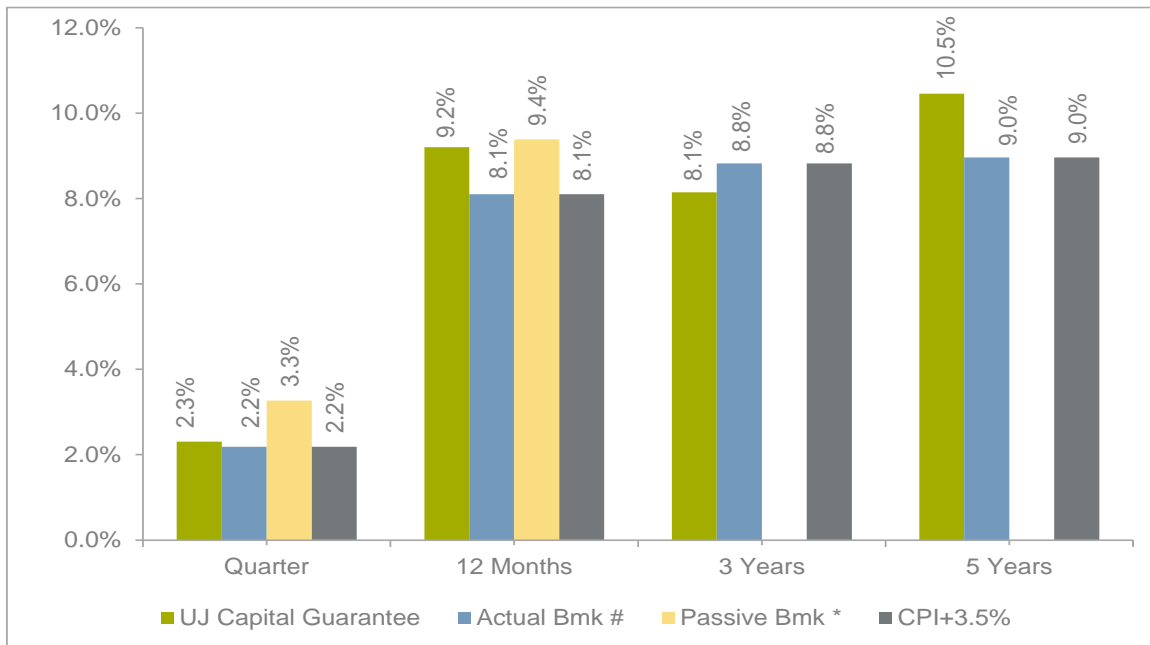
Risk statistics

	Portfolio	Benchmark
% Positive Months	100.0%	100.0%
% Negative Months	0.0%	0.0%
Standard deviation	0.4%	1.1%
3 year Annualised Return	8.1%	8.8%

Risk and return (rolling 3 years)



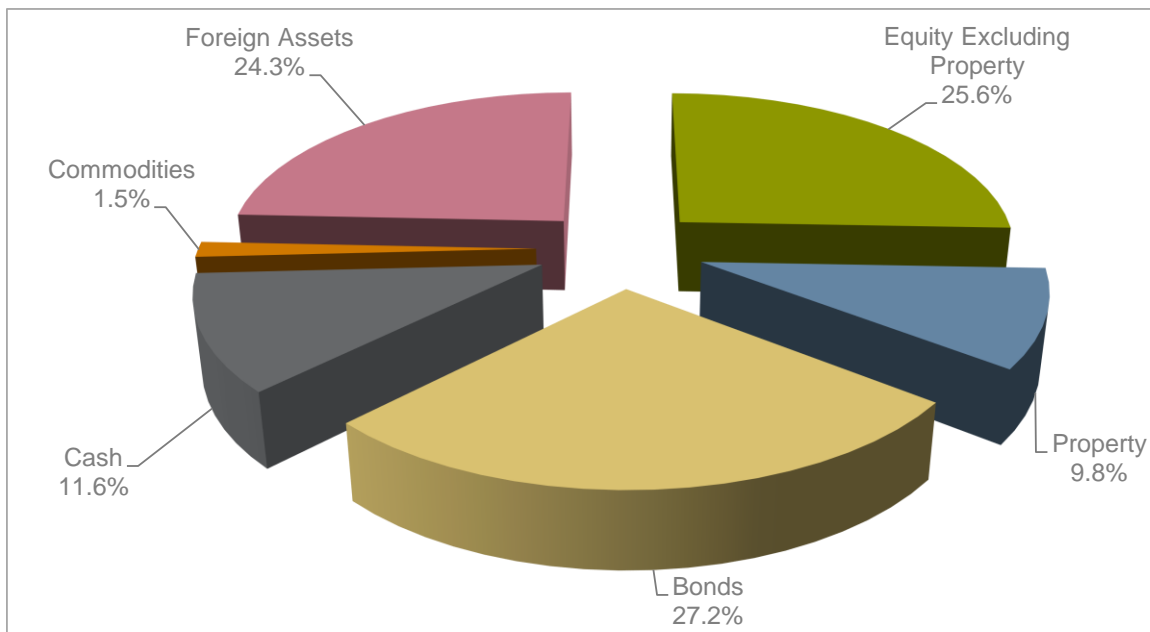
Performance



Benchmark changed from Jan 2017, long term returns are spliced with the previous benchmark

*Inception Jan 2017

Asset Allocation



UJPF CAPITAL PROTECTION

Portfolio details

Manager Alexander Forbes Investments
 Inception Date July 2010
 Performance Objective CPI+4%

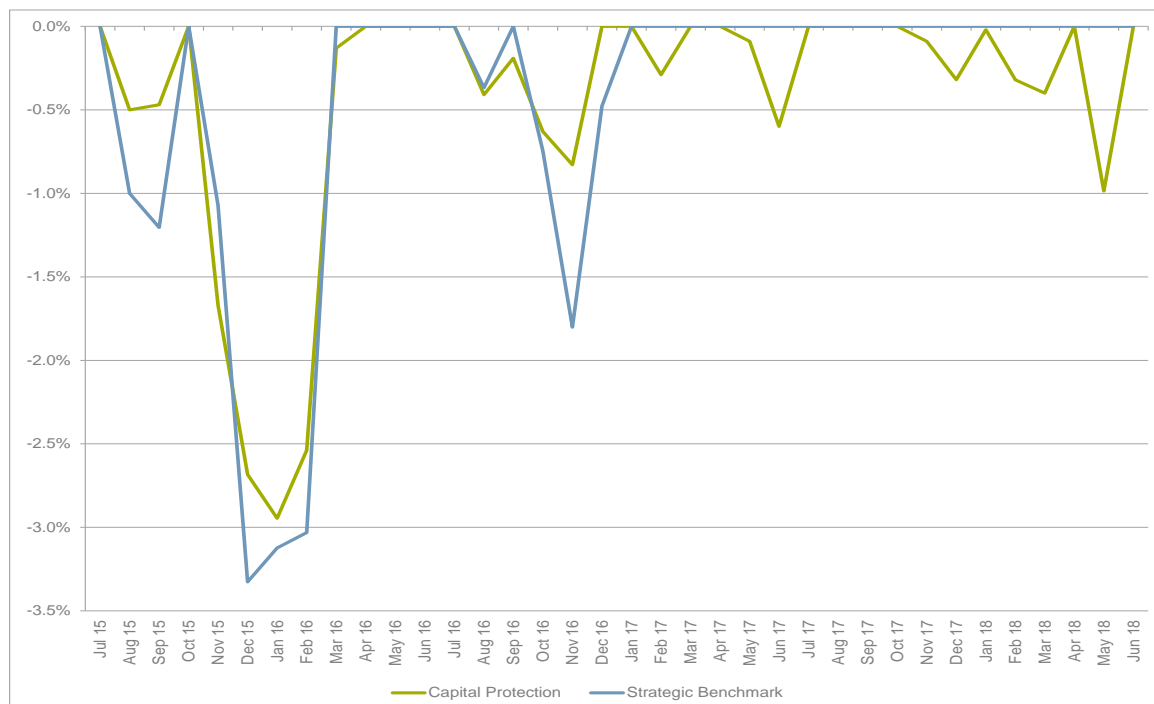
Strategic Benchmark

Asset Class	Benchmark	Benchmark Weight
SA Equities	JSE All Share SWIX	40.0%
SA Bonds	Beassa All Bond	20.0%
SA Cash	SteFI	40.0%

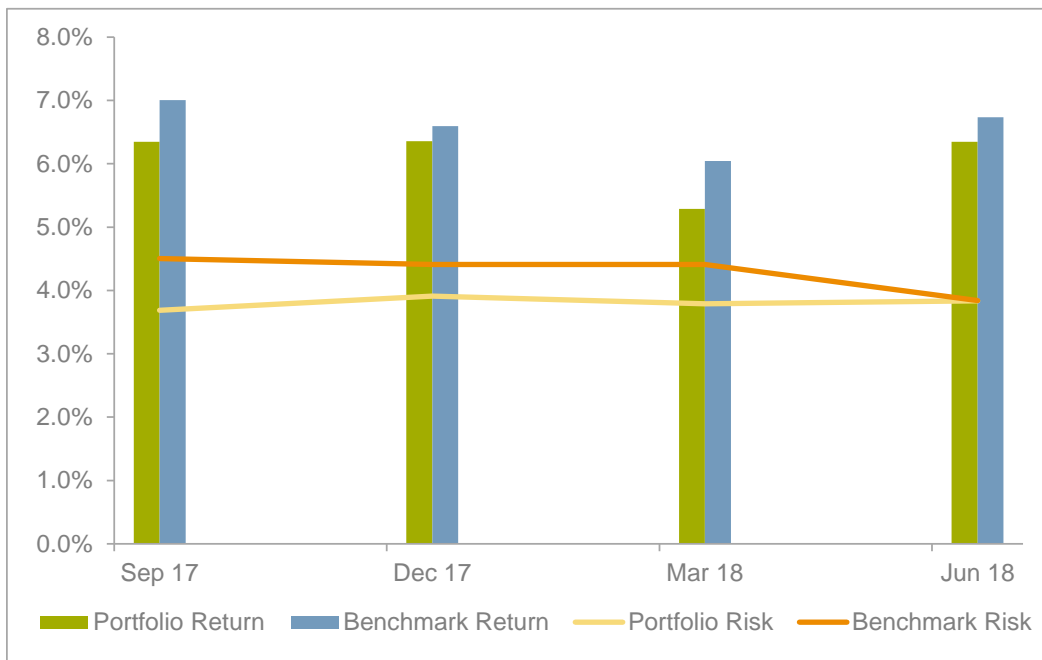
Risk statistics (3 years)

	Portfolio	Benchmark
% Positive Months	58.3%	80.6%
% Negative Months	41.7%	19.4%
Maximum Drawdown	-2.9%	-3.3%
Standard deviation	3.8%	3.8%
3 year Annualised Return	6.3%	6.7%

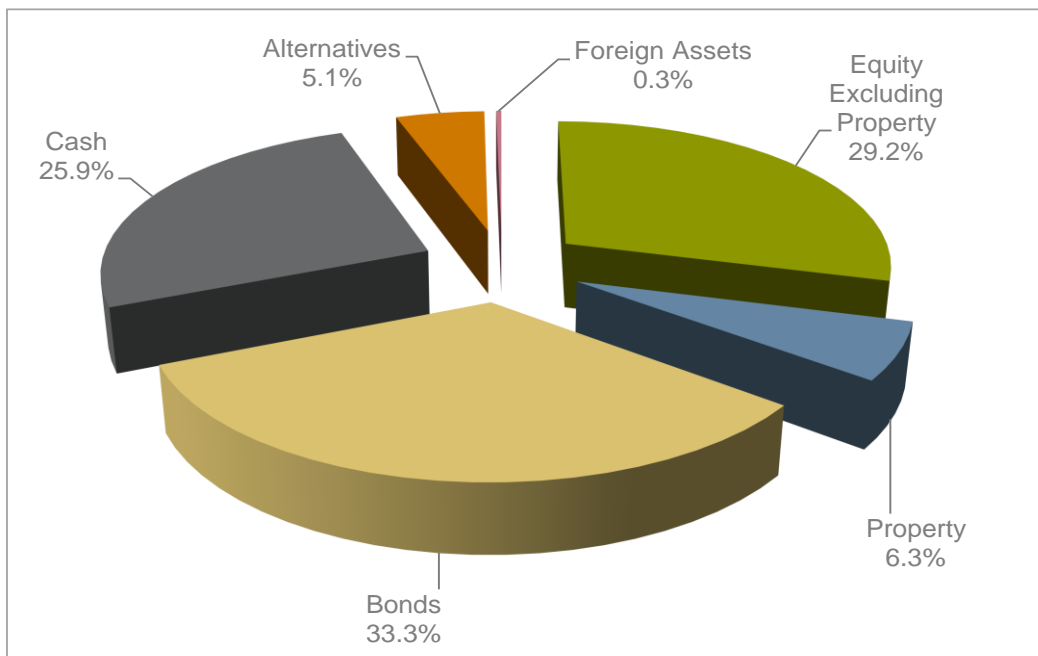
Drawdown



Risk and return (rolling 3 years)



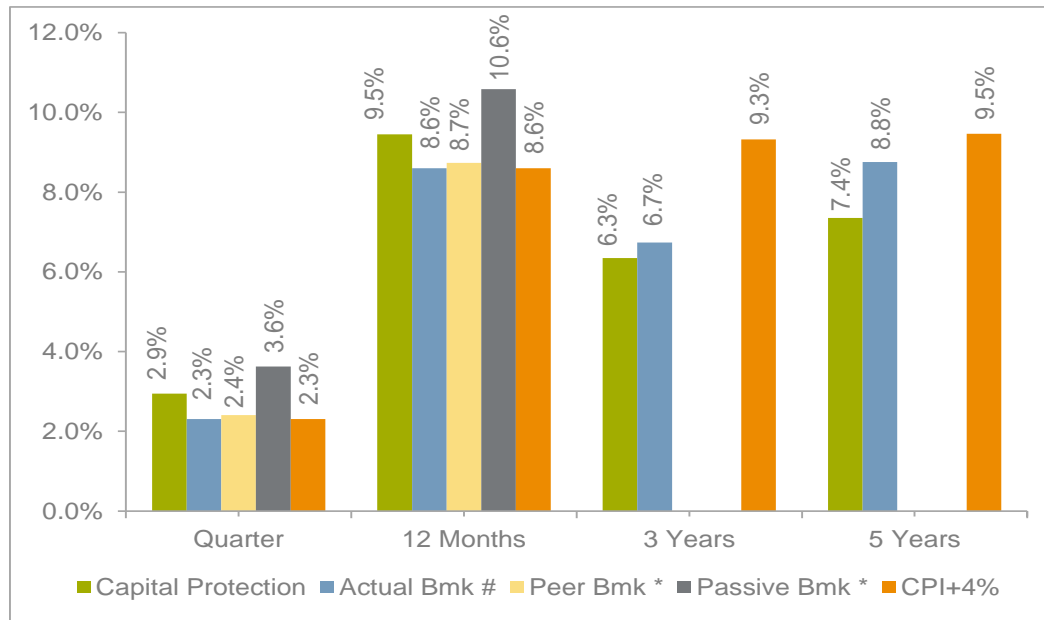
Asset Allocation



Manager Allocation

Manager	Weighting	Quarterly Return
Alexander Forbes Investments Real Return Focus	100.0%	3.1%

Performance



Benchmark changed from Jan 2017, long term returns are spliced with the previous benchmark

*Inception Jan 2017

UJPF MONEY MARKET

Portfolio details

Manager	Alexander Forbes Investments
Inception Date	July 2010
Performance Objective	CPI+1.5%

Strategic Benchmark

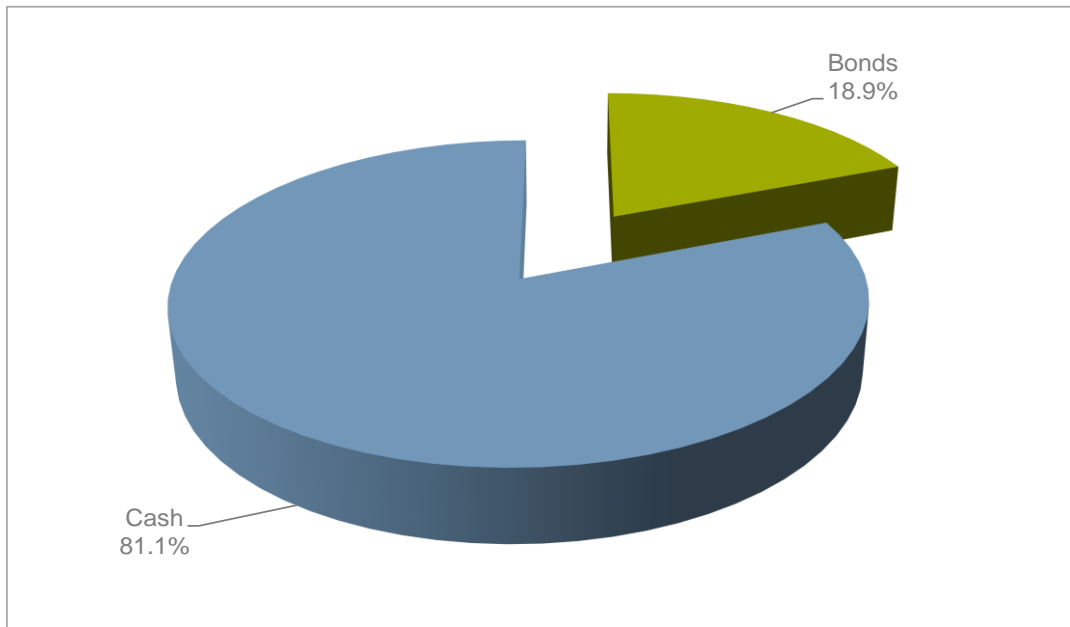
Asset Class	Benchmark	Benchmark Weight
SA Cash	SteFI	100.0%

Risk statistics (3 years)

	Portfolio	Benchmark
% Positive Months	100.0%	100.0%
% Negative Months	0.0%	0.0%
Standard deviation	0.2%	0.1%
3 year Annualised Return	8.1%	7.3%

Risk and return (rolling 3 years)

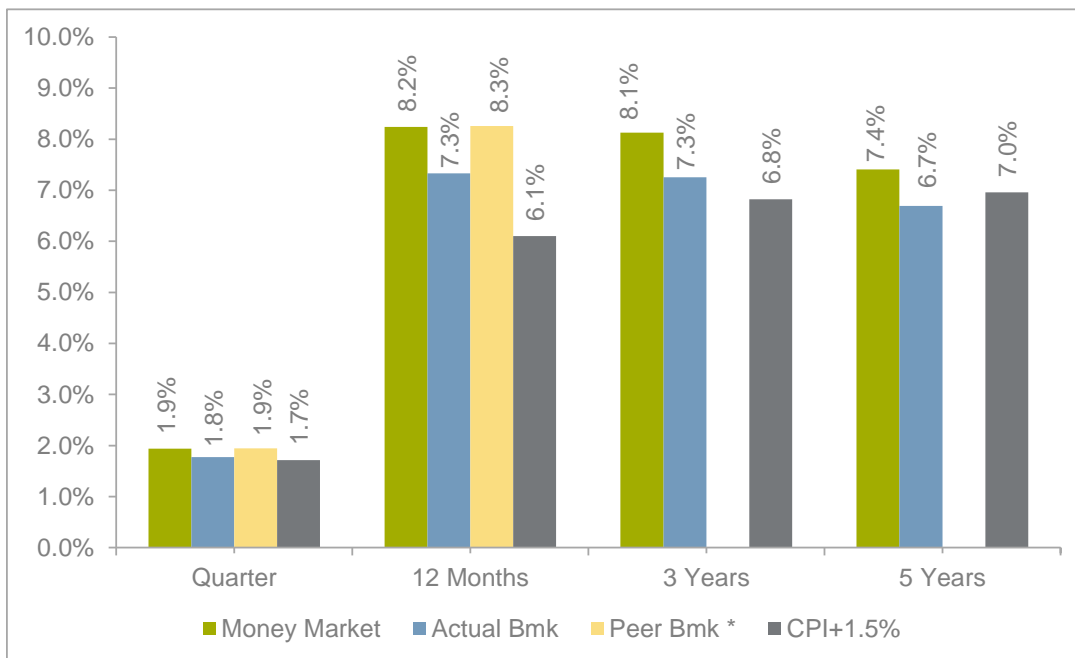
Asset Allocation



Manager Allocation

Manager	Weighting	Quarterly Return
Banker	100.0%	2.1%

Performance



MANAGER WATCH SURVEYS

Global Best Investment View

INVESTMENT DATA TO THE END OF JUNE 2018																								
PERFORMANCE DATA																								
	Month			Quarter			Year to Date			1 Year			3 Years (p.a.)			5 Years (p.a.)			7 Years (p.a.)			10 Years (p.a.)		
	Portfolio	Rank	Benchmark	Portfolio	Rank	Benchmark	Portfolio	Rank	Benchmark	Portfolio	Rank	Benchmark	Portfolio	Rank	Benchmark	Portfolio	Rank	Benchmark	Portfolio	Rank	Benchmark	Portfolio	Rank	Benchmark
INVESTMENT MANAGERS																								
Absa Asset Management Global Balanced	3.45%	4	2.69%	5.33%	6	4.75%	0.61%	18	2.02%	9.86%	14	9.90%	6.43%	17	6.92%	9.43%	16	10.20%	10.98%	16	12.03%	*	*	
Alexander Forbes Investments Performer	2.83%	11	2.69%	5.09%	8	4.75%	2.65%	5	2.02%	10.60%	6	9.90%	8.18%	4	6.92%	11.20%	7	10.20%	13.39%	3	12.25%	12.34%	5	11.37%
Alexander Forbes Investments Spectrum	2.55%	13	2.78%	4.40%	13	4.66%	1.59%	13	1.71%	9.95%	12	9.89%	6.93%	12	6.37%	9.86%	14	9.51%	11.96%	9	11.70%	10.91%	10	10.83%
Allan Gray	3.74%	3	2.78%	5.76%	4	4.66%	2.77%	3	1.71%	11.57%	2	9.89%	10.35%	1	6.45%	11.53%	4	9.63%	13.48%	1	11.65%	12.49%	3	10.69%
Ashburton Global Balanced Composite	2.52%	14	2.01%	4.15%	17	3.52%	0.96%	15	-0.21%	8.41%	19	7.18%												
Cadiz Global Balanced	5.32%	1	2.69%	9.47%	1	4.75%	2.64%	6	2.02%	10.78%	5	9.90%	7.28%	7	6.92%	8.47%	19	10.20%	10.12%	17	12.03%	9.47%	14	10.94%
Coronation	2.27%	18	2.69%	4.17%	16	4.75%	0.95%	16	2.02%	9.91%	13	9.90%	7.15%	9	6.92%	10.83%	9	10.20%	13.25%	6	12.03%	13.00%	1	10.94%
Foord Global Balanced	3.40%	6	2.39%	6.67%	3	4.04%	2.76%	4	0.83%	6.91%	23	12.48%	5.29%	20	7.53%	9.17%	18	10.57%	12.74%	8	12.07%	11.87%	7	10.28%
Investec Asset Management	2.43%	15	2.69%	3.72%	20	4.75%	2.24%	9	2.02%	11.49%	4	9.90%	7.61%	5	6.92%	12.42%	2	10.20%	13.27%	5	12.03%	12.43%	4	10.94%
Momentum MoM Enhanced Factor 7	2.55%	12	1.70%	4.89%	9	2.68%	-1.55%	24	-2.85%	9.28%	17	9.66%	6.56%	16	6.77%	11.10%	8	11.23%	13.28%	4	13.41%	12.02%	6	11.44%
Nedgroup Investments Balanced Fund	3.13%	7	0.60%	5.59%	5	4.77%	2.43%	8	1.02%	5.19%	24	8.51%	5.28%	21	5.05%	*	*	*	*	*	*	*	*	*
Nedgroup Investments XS Diversified Fund of Funds	2.96%	9	0.59%	4.28%	15	2.56%	2.59%	7	5.40%	7.85%	22	9.60%	6.68%	15	10.60%	10.30%	12	10.71%	11.57%	14	10.74%	*	*	*
Oasis	1.84%	22	2.72%	3.85%	19	4.79%	2.88%	2	1.60%	10.47%	8	9.78%	5.76%	19	6.64%	9.25%	17	9.72%	11.62%	13	11.83%	9.87%	13	10.93%
Old Mutual Multi Managers Managed	3.09%	8	2.69%	5.20%	7	4.75%	2.02%	10	2.02%	10.53%	7	9.90%	7.08%	10	6.92%	*	*	*	*	*	*	*	*	*
Old Mutual Multi-Managers Inflation Plus 5-7%	2.10%	19	0.67%	4.10%	18	2.80%	-0.01%	22	5.90%	9.99%	11	10.62%	7.46%	6	12.09%	11.39%	6	10.89%	*	*	*	*	*	*
OMIG MacroSolutions	1.95%	20	2.28%	3.27%	21	3.35%	0.72%	17	0.50%	10.08%	10	9.64%	6.80%	13	6.66%	10.37%	11	10.64%	11.89%	11	12.21%	10.79%	11	11.16%
OMIG MacroSolutions (Profile Balanced)	1.90%	21	2.50%	3.21%	22	3.74%	0.61%	19	1.05%	9.85%	15	10.80%	6.78%	14	7.24%	10.41%	10	11.07%	11.94%	10	12.91%	10.56%	12	12.00%
OMIG MacroSolutions (Profile Edge28)	1.47%	23	*	2.91%	23	*	-1.07%	23	*	10.29%	9	*	6.94%	11	*	11.52%	5	*	12.82%	7	*	11.70%	8	*
Prudential Balanced	2.35%	17	2.69%	4.78%	11	4.75%	1.90%	11	2.02%	13.30%	1	9.90%	8.73%	3	6.92%	11.63%	3	10.20%	13.45%	2	12.03%	12.53%	2	10.94%
PSG Balanced Fund	0.54%	24	0.59%	2.17%	24	2.50%	0.59%	20	5.28%	11.56%	3	9.38%	8.98%	2	6.64%	12.71%	1	9.51%	*	*	*	*	*	*
Rezco Value Trend	4.02%	2	2.78%	8.31%	2	4.54%	4.95%	1	-1.70%	9.22%	18	15.02%	5.79%	18	6.69%	9.74%	15	11.05%	*	*	*	*	*	*
SIM Global Unique	3.42%	5	2.69%	4.82%	10	4.75%	0.44%	21	2.02%	7.91%	21	9.90%	7.16%	8	6.92%	10.24%	13	10.20%	11.73%	12	12.03%	11.11%	9	10.94%
Stanlib AM	2.94%	10	2.55%	4.28%	14	4.57%	1.79%	12	1.50%	8.16%	20	9.57%	5.04%	22	6.69%	8.42%	20	10.06%	11.17%	15	11.83%	9.29%	15	10.93%
Stanlib Multi Manager Balanced Fund	2.42%	16	2.55%	4.59%	12	4.57%	1.54%	14	1.50%	9.69%	16	9.57%	*	*	*	*	*	*	*	*	*	*	*	*

Absolute Return Manager Watch

INVESTMENT DATA TO THE END OF JUNE 2018													
PERFORMANCE DATA													
	Month	Quarter	Year to Date	1 Year		3 Years		5 Years		7 Years		10 Years	
	Portfolio	Portfolio	Portfolio	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Headline CPI + 3%													
Absa Asset Management Absolute CPI +3%	0.60%	2.24%	4.26%	11.13%	7.38%	7.86%	8.33%	8.12%	8.43%	8.90%	8.48%	9.15%	8.55%
Alexander Forbes Investments Stable Focus	0.44%	0.76%	2.01%	8.21%	7.38%	6.21%	8.33%	7.70%	8.43%	8.13%	8.48%	9.15%	8.55%
Balondolozí Absolute Return Fund	2.11%	4.83%	4.26%	11.51%	7.38%	*	*	*	*	*	*	*	*
Mianzo Absolute Return Fund	1.81%	1.43%	0.25%	8.25%	7.38%	*	*	*	*	*	*	*	*
Momentum MoM Real Return	0.95%	2.33%	2.69%	9.13%	7.38%	6.92%	8.33%	8.15%	8.43%	7.66%	8.48%	8.10%	8.55%
OMIG Capital Builder	0.64%	1.68%	1.64%	8.99%	7.38%	6.16%	8.33%	7.37%	8.43%	7.39%	8.48%	7.12%	8.55%
Prescient Positive Return Fund	1.78%	3.51%	2.68%	9.11%	7.38%	6.35%	8.33%	7.73%	8.43%	7.27%	8.48%	7.76%	8.55%
SIM Absolute	0.83%	1.66%	2.22%	8.29%	7.38%	8.50%	8.33%	9.00%	8.43%	9.45%	8.48%	9.92%	8.55%
Taquanta True Absolute	0.89%	2.81%	6.09%	12.26%	7.38%	11.96%	8.33%	*	*	*	*	*	*
Headline CPI + 4%													
Absa Asset Management Absolute Global CPI +4%	0.58%	2.32%	0.60%	7.61%	8.38%	5.72%	9.33%	7.98%	9.43%	9.50%	9.48%	10.11%	9.55%
Absa Asset Management Absolute Domestic CPI+4%	0.33%	1.33%	2.08%	9.38%	8.38%	6.69%	9.33%	7.93%	9.43%	9.44%	9.48%	*	*
Alexander Forbes Investments Real Return Focus Local	0.40%	0.80%	1.21%	9.64%	8.38%	6.55%	9.33%	8.48%	9.43%	8.80%	9.48%	9.81%	9.55%
Alexander Forbes Investments Real Return Focus Portfolio	1.67%	3.07%	2.90%	9.77%	8.38%	7.27%	9.33%	9.12%	9.43%	9.88%	9.48%	9.79%	9.55%
Argon Absolute Return Fund	0.37%	0.27%	-0.45%	7.01%	8.38%	6.37%	9.33%	9.25%	9.43%	10.06%	9.48%	8.90%	9.55%
Coronation Absolute	0.51%	0.72%	0.17%	7.05%	8.38%	5.02%	9.33%	7.56%	9.43%	8.37%	9.48%	10.99%	9.55%
Mergence CPI + 4% Fund	0.90%	2.17%	-0.18%	6.10%	8.38%	5.67%	9.33%	7.43%	9.43%	8.37%	9.48%	*	*
Momentum MoM Absolute Strategies	0.71%	0.96%	0.96%	9.54%	8.38%	6.38%	9.33%	7.87%	9.43%	6.93%	9.48%	7.66%	9.55%
Old Mutual Multi Managers Absolute Defensive Fund	3.16%	5.27%	3.34%	7.96%	8.38%	7.40%	9.33%	9.56%	9.43%	10.82%	9.48%	10.32%	9.55%
OMIG MacroSolutions Stable Growth Fund	0.99%	2.16%	2.53%	10.12%	8.38%	8.07%	9.33%	9.43%	9.43%	10.88%	9.48%	10.54%	9.55%
Headline CPI + 5%													
Coronation Absolute	2.44%	4.78%	2.90%	8.73%	9.38%	6.70%	10.33%	9.50%	10.43%	11.07%	10.48%	12.16%	10.55%
Foord Absolute	3.71%	7.07%	2.93%	7.25%	9.38%	4.71%	10.33%	9.19%	10.43%	12.55%	10.48%	11.48%	10.46%
JM BUSHA Absolute AllClass	-0.10%	-1.39%	-0.96%	10.60%	9.38%	5.16%	10.33%	8.24%	10.43%	10.32%	10.48%	9.70%	10.55%
Mergence CPI +5% Fund	1.21%	2.41%	-0.99%	8.76%	9.38%	6.30%	10.33%	8.21%	10.43%	9.20%	10.48%	8.40%	10.46%
Nedgroup Investments Opportunity Fund	1.77%	3.40%	0.86%	1.20%	9.38%	5.59%	10.33%	*	*	*	*	*	*
OMIG Wealth Defender	1.19%	3.36%	-0.09%	7.58%	9.38%	6.52%	10.33%	8.81%	10.43%	10.55%	10.48%	10.41%	10.55%
Prudential Domestic Real Return Plus 5%	-0.36%	-1.03%	-0.90%	9.93%	9.38%	6.82%	10.33%	*	*	*	*	*	*
Prudential Real Return + 5%	1.01%	2.15%	-0.86%	7.87%	9.38%	6.95%	10.33%	9.95%	10.43%	12.04%	10.48%	*	*
SIM CPI + 5%	1.16%	1.85%	1.81%	8.87%	9.38%	8.11%	10.33%	9.55%	10.43%	10.05%	10.48%	10.28%	10.55%
SIM CPI + 5% Global	2.53%	4.64%	3.71%	8.89%	9.38%	8.70%	10.33%	10.24%	10.43%	11.15%	10.48%	10.41%	10.46%
SMM Moderate Absolute Fund	1.64%	3.99%	3.19%	7.70%	9.38%	6.57%	10.33%	9.20%	10.43%	9.91%	10.48%	10.46%	10.46%
STANLIB Absolute Plus Fund	1.32%	2.71%	0.55%	6.25%	9.38%	7.36%	10.33%	9.38%	11.43%	9.97%	10.48%	10.09%	10.46%
STANLIB Multi-Manager Real Return Fund	2.66%	4.80%	2.30%	9.95%	9.38%	6.69%	10.33%	8.71%	10.43%	9.20%	10.48%	10.13%	10.55%
Vunani Fund Managers CPI+5%	0.21%	-0.28%	1.42%	9.55%	9.38%	6.35%	10.33%	9.06%	10.43%	10.37%	10.48%	10.24%	10.55%
MARKET STATISTICS													
Combination of old CPIX and new CPI	0.19%	1.32%	2.88%	4.38%		5.33%		5.43%		5.48%		5.55%	
Consumer Price Inflation (Old/New combined CPI)	0.19%	1.32%	2.88%	4.38%		5.33%		5.43%		5.48%		5.46%	
Consumer Price Inflation (Headline CPI) [I-Net code: AECPI]	0.19%	1.32%	2.88%	4.38%		5.33%		5.43%		5.48%		5.55%	
STEFI	0.57%	1.76%	3.54%	7.35%		7.28%		6.71%		6.35%		6.94%	
Number of Participants	33	33	33	33		31		28		28		25	

S.A. Money Market Manager Watch

INVESTMENT DATA TO THE END OF JUNE 2018																
	PERFORMANCE DATA															
	Month		Quarter		Year-to-date		1 Year		3 Years		5 Years		7 Years		10 Years	
	Portfolio	Rank	Portfolio	Rank	Portfolio	Rank	Portfolio	Rank	Portfolio	Rank	Portfolio	Rank	Portfolio	Rank	Portfolio	Rank
MAXIMUM DURATION UP TO 90 DAYS																
Absa Asset Management Money Market	0.61%	9	1.88%	11	3.86%	11	7.95%	11	7.98%	9	7.21%	10	6.81%	9	7.39%	9
Ashburton Money Market Composite	0.63%	5	1.93%	7	3.90%	9	8.01%	10	7.90%	11	*		*		*	
Coronation Strategic Cash	0.67%	1	2.09%	1	4.20%	1	8.50%	3	8.44%	3	7.81%	2	7.55%	2	8.22%	1
Futuregrowth Core Money Market Composite	0.61%	10	1.90%	10	3.91%	8	8.12%	7	8.02%	8	7.32%	7	6.89%	8	7.52%	7
Investec Money Market Fund	0.63%	6	1.94%	5	3.93%	7	8.11%	8	8.04%	5	7.37%	5	6.94%	5	7.56%	6
MMI - Money Market (Max 90)	0.62%	7	1.94%	6	4.14%	2	8.63%	2	8.57%	2	7.80%	3	7.45%	3	8.03%	3
Nedgroup Investments Money Market Fund	0.63%	3	1.94%	4	3.93%	5	8.13%	6	8.03%	6	7.35%	6	6.93%	6	7.57%	5
Nedgroup Investments Corporate Money Market Fund	0.63%	4	1.92%	8	3.90%	10	8.08%	9	7.95%	10	7.24%	9	*		*	
Prescient Money Market Composite	0.66%	2	1.98%	2	4.05%	4	8.31%	4	8.11%	4	7.42%	4	7.01%	4	7.66%	4
Pan-African Segregated Domestic Cash	0.61%	8	1.97%	3	4.12%	3	8.77%	1	8.84%	1	8.03%	1	7.74%	1	8.15%	2
STANLIB Money Market Portfolio	0.60%	11	1.91%	9	3.93%	6	8.14%	5	8.02%	7	7.31%	8	6.89%	7	7.49%	8
MARKET STATISTICS																
Alexander Forbes Money Market Index	0.58%		1.76%		3.59%		7.37%		7.29%		6.73%		6.39%		6.97%	
Short Term Fixed Interest Rate Index	0.57%		1.76%		3.54%		7.35%		7.28%		6.71%		6.35%		6.94%	
STeFI Call Deposit Index	0.52%		1.59%		3.24%		6.72%		6.66%		6.13%		5.83%		6.38%	
STeFI 3 Month NCD Rate	0.54%		1.68%		3.40%		7.01%		6.92%		6.38%		6.07%		6.64%	
STeFI 6 Month NCD Rate	0.59%		1.81%		3.63%		7.53%		7.47%		6.90%		6.51%		7.07%	
STeFI 12 Month NCD Rate	0.62%		1.91%		3.86%		8.05%		7.96%		7.29%		6.90%		7.57%	
STATISTICS																
Highest	0.67%		2.09%		4.20%		8.77%		8.84%		8.03%		7.74%		8.22%	
Upper Quartile	0.63%		1.95%		4.08%		8.41%		8.27%		7.70%		7.45%		8.03%	
Median	0.63%		1.94%		3.93%		8.13%		8.03%		7.36%		6.94%		7.57%	
Average	0.63%		1.94%		3.99%		8.25%		8.17%		7.49%		7.13%		7.73%	
Lower Quartile	0.61%		1.91%		3.91%		8.10%		8.00%		7.31%		6.89%		7.52%	
Lowest	0.60%		1.88%		3.86%		7.95%		7.90%		7.21%		6.81%		7.39%	
Range	0.07%		0.21%		0.34%		0.82%		0.94%		0.82%		0.93%		0.84%	
Number of participants	11		11		11		11		11		10		9		9	

Appendix

Benchmarks description

Portfolio	Mandate (Actual) Benchmark	Peer relative benchmark	Passive benchmark	CPI target
UJ PF - Wealth Creation	GLMW	GLMW	Local Equity - 50% Local Bond - 15% Local Property - 5% Local Cash - 7% Offshore Equity - 20% Offshore Cash - 3%	CPI + 6%
UJ PF - Capital Protection	CPI + 4%	Average Absolute Return - CPI + 3-4%	Local Equity -40% Local Bond - 20% Local Property - 5% Local Cash - 15% Offshore Equity - 15% Offshore Cash - 5%	CPI + 4%
UJ PF - Wealth Preservation	N/A	40% GLMW / 60% Average AR CPI + 3-5%	40% WC / 60% Capital Pctn.	CPI + 4.5%
UJ PF - Capital Guarantee	CPI + 3.5%	Average 100% Guaranteed Funds Survey	Local Equity - 50% Local Bond - 10% Local Property - 5% Local Cash - 10% Offshore Equity - 10% Offshore Cash - 5%	CPI + 3.5%
UJ Money Market	STeFI	Average Money Market Survey	N/A	CPI +1.5%
UJ Shari'ah Portfolio	Local Equity - 55% Local Bond - 20% Local Cash -15% Offshore Equity - 5% Offshore Bond - 5%	Average Shar'iah Balanced Universe	Local Equity - 55% Local Bond - 17% Local Property - 5% Local Cash - 3% Offshore Equity - 15% Offshore Bond - 5%	CPI + 5%



Asset Consulting

FINANCIAL SERVICES


ALEXANDERFORBES
Securing your financial well-being

ECONOMIC WATCH

June 2018

All Good Things Must Come to an End

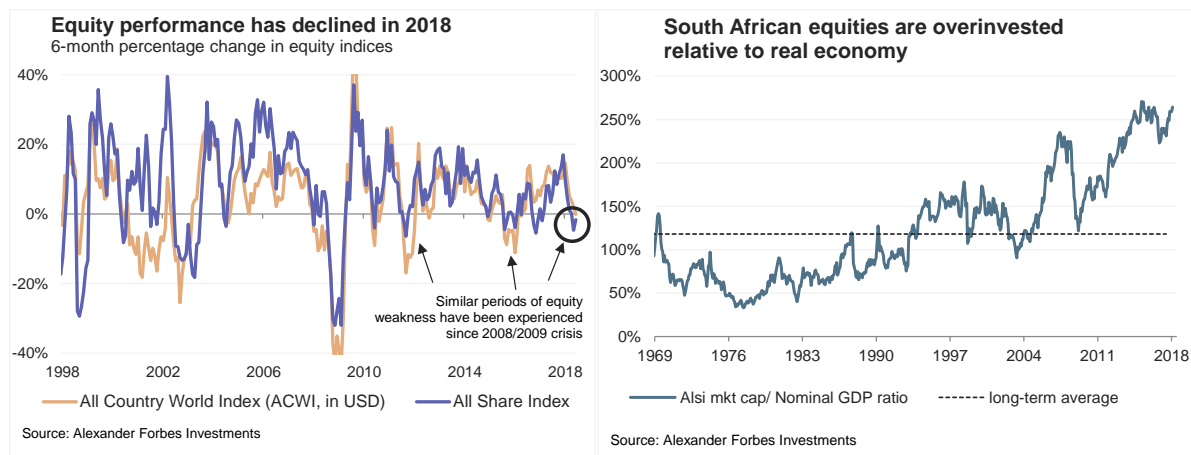
After a scintillating performance in 2017, investor returns have deteriorated in 2018. The South African equity market, the biggest weighting within most pension fund portfolios, lost 1.7% between December 2017 and June 2018 after returning 21% in 2017, as measured by the All Share index (ALSI). Performance for the Shareholder Weighted Index (SWIX) and the capped SWIX was even worse, losing 4.8% and 7.6% respectively from January to June 2018. The global equity market performance was similar – the All Country World Index (ACWI) lost 0.2% in US dollars over the same measurement period. After experiencing an increase of 12% in annualised returns on the ALSI between 2010 and 2017, and 9.1% annualised on the ACWI over this period, investors are unaccustomed to equity market weakness experienced in 2018 thus far.

Low return expectations is a long-standing theme

Poor performance wasn't without warning. Lower investment returns is a theme we advocated throughout 2017 due to the expensive valuations on traditional financial assets. To summarise the reasons, global central banks such as the US Federal Reserve, the European Central Bank (ECB), Bank of Japan and Bank of England conducted unprecedented stimulus programmes following the 2008/2009 Global Financial Crisis (GFC). These financial authorities hoped to support economic activity and employment through lower interest rates, but the biggest beneficiaries were financial markets. Rather than find expression in real economic activity, low interest rates and quantitative easing (QE) caused capital to flood into the financial system. The dynamics are complex, but the outcome can easily be viewed through real-world valuation measures.

Traditional Asset Classes as “over-invested” relative to economy

The market capitalisation of the ALSI is close to its highest level relative to the size of the economy, as represented by gross domestic product (GDP). Market capitalisation represents the amount of capital invested into an equity market, so we are essentially viewing the amount of money invested into equity markets relative to the size of the economy. The elevated ratio indicates that equity is over-invested relative to the size of the economy. This is usually associated with weak subsequent long-term returns. By contrast, a low ratio would signal underinvestment in equity, which is usually associated with strong subsequent long-term returns. We've shown the South African data in this article to bring the analysis close to home but, remember, this is a global phenomenon. The ratio of the S&P500 to US GDP is similar. It shows that US equity is overinvested relative to the size of the economy and is associated with weaker subsequent long-term returns.



Central banks are no longer an investor's friend

The US Federal Reserve has tightened monetary policy since December 2015. Initially this shift was welcomed by financial markets because it suggested the economy was strong enough to withstand the tighter policy. Over time, however, the tightening starts to take its toll. Borrowing costs increase and place pressure on debt-laden governments, corporates and households. Some US corporates and households have deleveraged since the GFC, but absolute debt levels remain much higher than at any time before 2005. US government debt levels have continued to rise unabated since the GFC. Substantial liquidity remains in financial markets and interest rates are still incredibly low but, at the margin, liquidity is becoming less accessible than it was and rates are higher than they were. Evidence for this monetary tightness is visible in global interbank funding markets. The ECB has announced its intention to follow the Fed's lead and end its asset-purchase programme in December 2018. These policy changes confirm a critical shift in financial markets. As we wrote in the March Market Solutions: "central banks are no longer an investor's friend."

Trade war headlines disguise underlying conditions

Donald Trump's trade negotiations with China have featured in financial market headlines and have been offered as the reason for the weakness in financial markets. There is no doubt that tariffs put a dampener on the euphoric growth expectations that emerged in 2017 and are impacting performance. However, conditions pointed towards weaker equity market performance even before the trade dispute kicked off. Expensive valuations, tightening central bank liquidity and rising interest rates are much tougher for financial markets to contend with than cheap valuations, flush liquidity and falling interest rates. Often financial markets just need a trigger for the underlying conditions to express themselves, and perhaps the trade dispute is this trigger.

Risk management in accumulation stage portfolios

The exact timing for equity market weakness is difficult to predict, but the conditions have been relatively clear. As a result, changes have been made to major accumulation portfolios to mitigate against the risks. For example, hedge funds and private equity have been introduced into our major accumulation portfolios. Valuations within the unlisted private equity market are more reasonable than the listed equity market and the long-term nature of these investments implies they are less likely to be negatively impacted by the volatility in listed markets. Additionally, hedge funds can gain from the type of volatility that equity markets have experienced in 2018 thus far.

It is critical to note that these strategies are used within our portfolios to mitigate against risks in financial markets, but they won't completely negate poor periods of equity performance. Low investment returns should be expected despite the portfolio changes. Clients need to take a pragmatic approach to their investment and return expectations. Current conditions imply that it is unwise to chase returns - this strategy would expose portfolios to much bigger drawdown risks. Instead we're looking to manage risk and create a smoother journey towards retirement for our clients. As a result, expectations need to be adjusted to achieve holistic financial wellbeing.

University of Johannesburg Pension Fund

Global Asset Class Performance							
	30 Jun 18	Q2 2018	Q1 2018	YTD 2018	1-Year	3-Years (p.a.)	5-Years (p.a.)
In Dollars (\$)							
MSCI AC World	-0.50%	0.79%	-0.91%	-0.13%	11.31%	8.78%	10.00%
USA	0.62%	3.43%	-0.76%	2.65%	14.37%	11.93%	13.42%
Europe	-0.64%	-0.87%	-1.86%	-2.71%	5.94%	4.85%	6.82%
Japan	-2.50%	-2.12%	0.28%	-1.85%	10.88%	6.60%	7.70%
Pacific Basin ex Japan	-1.60%	1.81%	-3.71%	-1.97%	8.82%	6.71%	6.17%
MSCI Emerging	-4.09%	-7.73%	1.33%	-6.51%	8.59%	5.98%	5.39%
South Africa	-5.03%	-9.66%	-1.93%	-11.41%	9.83%	2.32%	3.98%
Global Bonds	-0.29%	-3.35%	2.49%	-0.94%	1.90%	2.81%	1.11%
Local Asset Class Performance							
	30 Jun 18	Q2 2018	Q1 2018	YTD 2018	1-Year	3-Years (p.a.)	5-Years (p.a.)
In Rands (R)							
Equities	2.78%	4.54%	-5.97%	-1.70%	15.02%	6.69%	11.05%
Bonds	-1.17%	-3.78%	8.06%	3.97%	10.19%	7.77%	7.38%
Cash STeFI Overnight	0.52%	1.63%	1.59%	3.24%	6.72%	6.66%	6.13%
Inflation-Linked Bonds	-2.11%	-4.99%	3.98%	-1.21%	1.51%	3.25%	5.31%
Listed Property	-3.45%	-2.19%	-19.61%	-21.37%	-9.94%	0.93%	6.71%
Dominant Themes							
	30 Jun 18	Q2 2018	Q1 2018	YTD 2018	1-Year	3-Years (p.a.)	5-Years (p.a.)
Large Caps	3.62%	6.19%	-6.32%	-0.52%	16.75%	6.76%	11.20%
Mid Caps	-2.14%	-7.16%	-3.63%	-10.53%	3.67%	3.81%	8.35%
Small Caps	-3.31%	-4.50%	-1.27%	-5.72%	0.62%	2.51%	9.60%
Resources	5.96%	19.63%	-3.83%	15.04%	42.13%	6.50%	3.64%
Financials	-2.88%	-6.02%	-3.56%	-9.36%	10.51%	3.31%	11.73%
Industrials	4.18%	3.96%	-7.99%	-4.35%	7.52%	5.56%	11.85%
Sectors							
	30 Jun 18	Q2 2018	Q1 2018	YTD 2018	1-Year	3-Years (p.a.)	5-Years (p.a.)
All Share Index	2.78%	4.54%	-5.97%	-1.70%	15.02%	6.69%	11.05%
SWIX	2.74%	2.08%	-6.76%	-4.82%	11.68%	5.26%	11.13%
Chemicals	8.90%	21.40%	-3.36%	17.32%	38.56%	7.16%	6.66%
Basic Materials	5.98%	19.52%	-3.85%	14.92%	41.98%	12.43%	8.94%
Consumer Goods	1.72%	3.77%	-7.51%	-4.02%	-14.18%	2.25%	7.82%
Construction	-8.00%	-5.86%	6.10%	-0.11%	8.47%	0.31%	-10.63%
Health	-3.04%	-2.88%	-1.94%	-4.76%	-8.05%	-10.21%	1.33%
Consumer Services	9.37%	10.25%	-10.30%	-1.10%	29.08%	15.44%	24.70%
Telecommunications	-7.19%	-11.34%	-5.18%	-15.93%	-7.33%	-14.04%	-1.94%
Technology	0.05%	-4.60%	-30.48%	-33.68%	-51.84%	-24.79%	-6.96%
Banks	-1.69%	-7.83%	4.17%	-3.99%	32.66%	10.15%	17.94%